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**Opinion: Does Social Security Have WMD?**

The PowerPoint [released](#) by Erskine Bowles and Alan Simpson, the co-chairs of the National Commission on Fiscal Responsibility and Reform ("The Deficit Commission"), said we should "Reform Social Security for its own sake, not for deficit reduction."

No kidding. Social Security has nothing to do with the deficit. Not now, not ever.

Critics of Social Security have frequently made alarming claims about the future of the system to support calls for "reform." President George W. Bush [conceded](#) in 2005 that "it's not bankrupt yet," but said we couldn't "wait until it's bankrupt." "The problem with that notion is that the longer you wait, the more difficult it is to fix," President Bush said. "You realize that this system of ours is going to be short the difference between obligations and money coming in, by about \$11 trillion, unless we act... That's trillion with a 'T.'"

That does sound scary.

So what was the period for that projected shortfall? It was for the "indefinite future."

Forecasts of the end times are usually the work of religious prophets, not economists or

actuaries. According to the [Book of Revelation](#), at the end of days earthquakes will level mountains, hail will fall mixed with fire, and a beast with seven heads and ten horns will arise from the seas.

In that context, a shortfall in the Social Security system just doesn't seem like that big a deal.

At least President Bush used the term "projected shortfall," but Republican talking heads sent forth to battle on cable television routinely used the word "deficit," implying that we'd have to pick up the difference.

No, we wouldn't. Here's how it would work if we just left the current law alone.

The system has been running a substantial surplus for a generation because the Baby Boom has been working and paying payroll taxes, and the Baby Boom dwarfs the generation now receiving benefits. The surplus has gone into the Trust Fund, which now stands at about \$2.6 trillion (That's trillion with a "T.") As the Baby Boom retires, the system will stop running a surplus later this decade. Then the system will pay full benefits, including cost-of-living adjustments, from payroll taxes and the interest from the Trust Fund. About a decade after that, payroll taxes and interest on the Trust Fund will not be enough to pay full benefits, including cost of living adjustments. Then the system will pay full benefits, including cost of living adjustments, from payroll taxes, interest and the principal of the Trust Fund.

Around 2037, the principal of the Trust Fund will be exhausted. Under the existing law, the system will then reduce the benefits to what can be covered by payroll taxes. The projection is that the benefits would then be reduced by about 22 percent.

A 22-percent reduction in benefits is pretty unattractive, especially if the finances of the middle class are as fragile in 30 years as they are now. But proposals to "fix" Social Security by reducing benefits would really just swap one reduction of benefits for another.

Paul Krugman [argues](#) that raising the retirement age is a reduction of benefits that works to the disadvantage of blue-collar workers:

- [W]hile average life expectancy is indeed rising, it's doing so mainly for high earners, precisely the people who need Social Security least. Life expectancy in the bottom half of the income distribution has barely inched up over the past three decades. So the Bowles-Simpson proposal is basically saying that janitors should be forced to work longer because these days corporate lawyers are living to a ripe old age.

Would blue-collar workers be better off if we raised the retirement age or let an across-the-board cut in benefits go into effect in 30 years or so? Isn't that a question we should ask?

More to the point, Social Security has nothing to do with the deficit. "Since Social Security is legally prohibited from ever spending more than it has collected in taxes," Dean Baker correctly [argues](#), "it cannot under the law contribute to the deficit."

The Social Security system "fell outside of the mandate" of the Deficit Commission, Baker said. "They must have been expecting extra credit."

We are right to worry about Social Security, and we are right to worry about our long-term deficit. But the two are completely distinct.

So proposing to "reform" Social Security because of long-term deficits is like invading Iraq because Afghanistan attacked us.

Or maybe the Social Security system has weapons of mass destruction.